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THE SCOPE AND METHODOLOGY FOR A SECTORAL ANALYSIS IN PANAMA

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## THE SCOPE AND METHODOLOGY FOR A SECTORAL ANALYSIS IN PANAMA

Creating effective strategies and policies to spur agricultural development is a complicated business. A myriad of development needs--education, roads, credit systems, agricultural price support programs and land tenure work, just to name a few--must be matched with scarce resources in a mix which will best contribute to the economic and social goals of the country.

To create effective strategies and policies, leaders must have a clear understanding of the current situation, including the country's status of development, its needs and the resources which could be applied to development activities. Then priorities must be set, which would include a clear role for agriculture in the country's total economic development, and various programs tied together to form a coordinated effort to reach realistic development targets.

Without such planning, many resources are wasted and frustrations develop. There must be a basic plan to give direction to the government's efforts, as well as to external technical assistance programs. This is the foundation for all development work, and it requires utmost consideration.

Thus arose this U.S. Agency for International Development/USDA assignment in Panama, July 7-17, 1970, to help Panamanians in their own efforts to chart a course for agricultural growth. More specifically, the objective for this assignment was to assist Panamanian officials in an evaluation of Panama's agricultural progress, and to help develop the scope and methodology for a general agricultural sector analysis.

### THE PRESENT STATUS OF SECTORAL ANALYSIS ACTIVITY IN PANAMA

Sectoral analysis activity has been carried on in Panama for some time. In a few days, I was able to identify nine such efforts, varying from a brief overview to a sizable collection of data with program recommendations to "do more of everything."

The Panamanian efforts, however, were characterized by a failure to follow through in the sector analysis with a true sector approach. Invariably, they would start with a statement of objectives and perhaps quantify the projected production needs but, then, they would proceed to develop plans and action programs with little relation to the projected needs or consideration of how much these plans and actions would cost, how the results would mesh together, and to what extent they would contribute to the attainment of the goals set forth.

On the positive side, it is apparent that the broad objectives for the agricultural sector have been set forth. The projected needs for 1975 have been quantified. A sizable collection of data on the current and historical status of the sector has been collected, but it is scattered.

What remains to be done is to put together these data, to evaluate what the data and trends mean, to complement them with certain data to fill in the informational gaps, and then to develop plans and action programs to bring the sector to the level of performance needed to fulfill the stated social goals and production targets.

#### PLAN OF ACTION

The purpose of a sectoral analysis is to determine:

- a) Tentative economic and social goals for agriculture for a few years and, in so doing, point up the conflicts between maximizing national agricultural output and maximizing welfare for the total society.
- b) What private producers and marketers should be doing a few years hence, so the agricultural sector can make its maximum contribution to the country's economic and social development, and
- c) What the government should be doing, in terms of both policy changes and major investments to enable the private sector to fulfill its indicated role of reaching these goals.

First, one must describe briefly the base point from which we look ahead. Such an analysis requires a factual collection of statistics concerning the availability of the important classes of the country's resources pertaining to agriculture -- land, labor, equipment and other capital investments and production materials. The historical performance of the sector as to output, distribution of income and the functioning of its marketing institutions is reviewed.

Next, possibilities for expanding the output of the nation's agricultural sector or modifying its composition are examined in order to meet the desired social and economic goals for the nation's agriculture. These possibilities obviously depend to a very great extent upon the aggregate national availability

of each of these important classes of resources as well as the functioning of the nation's marketing institutions and the probable aggregate demand for farm products.

However, land, labor, water, production materials, use of credit and private capital investments of Panama contribute to its agricultural production only through decisions and actions by the thousands of individual operators of the nation's farms.

It is important to understand the circumstances which surround and affect the decision making by these individual farm operators if the plans and programs for the agricultural sector are to be developed on a sound and realistic basis. The matching of resource availabilities and the factors which the management decisions involved therein on given farms may differ markedly from average relationships for the country as a whole. Thus, the aggregate behavior of Panama's many thousands of farmers may depart considerably from what one would expect from a theoretical "national model" which possessed the same total endowment of agricultural resources.

Thus, it is necessary to make some examination of the organizational and operational characteristics of individual operating units before one can make a realistic appraisal of performance prospects for Panama's agricultural sector as a whole.

This examination should look at the influence of a) the operator's age, education, family responsibilities and other motivating forces, b) the particular combination of land, capital and credit and management resources on his operating unit and c) the institutional forces of the geographic and economic environment in which he operates his farm.

The achievement of the targets, or social and economic goals, requires a definite strategy for development. This strategy must call for policies which are both practical and specific. The programs which are followed to carry these policies out must be complete, integrated programs. Fragmented programs which deal with only part of the obstacles which stand in the way of achievement of the goals will yield little. A program for the increase in corn production, for example, must relate to the development of a technology which meets the specific needs of the Panamanian farmer. It must relate to an educational program to acquaint him with this technology; an income support program to give him the economic assurance necessary to put the technology into use; a land tenure policy which will provide a climate favorable to the necessary longer term capital investments; the availability of modern and improved seed, fertilizer, pesticides, etc. and the credit to finance their use; and the necessary transportation, marketing and storage facilities to move the resulting increased output into consumption.

No one agricultural program is an entity unto itself. An across-the-board program is required which requires action in all related fields. Thus, the action programs should be centered on specific commodities -- corn, beans, beef cattle, etc., with detailed planning to overcome all problems affecting the production of that commodity.

#### SECTORAL OUTLINE

##### I. Current State of Agricultural Sector and its Historical Performance.

The statements contained on pages 65 to 73 of the Inter-American Committee, The Alliance for Progress (CIAP) report, "Domestic Efforts and The Needs for External Financing for Development of Panama," and on pages 1 to 3 of the "Summary Review of Agricultural Sector" (date and source not indicated) are examples of the sort of information needed for this section of the sectoral analysis.

Specifically, data and discussions of the following items should be included:

- A. Annual growth rate of agricultural sector
  - Population
  - Labor employed
  - In relation to Gross National Product
- B. Crop production and area
- C. Livestock production
- D. Investment in agriculture - i.e. page 80 and page 90 of the CIAP report
  - Public: physical; financial
  - Private: bank loans; total sector: sub-sectors
  - Total sector
  - Sub-sectors
- E. Operating budget of Ministry of Agriculture

-Research

-Extension

-Other services to agriculture

- F. Land tenure system and problem of lack of titled lands
- G. Data on distribution of size of farm and contribution to total agricultural sales
- H. Organizational and operational characteristics of individual operating units (this will require a survey)
- I. Statement on educational, housing and nutritional levels of farmers
- J. Transportation in relation to movement of agricultural production.
- K. Statement on condition of marketing system (see example on pp.5 and 6 in The Summary Review)
  - Structure of the marketing system
  - Facilities: processing; storage; wholesale and retail markets
  - Government news services: crop reporting; market
- L. Statement on present government price support policies

## II. Agricultural Sector Economic and Social Goals -- Development of a National Agricultural Policy

- A. Panama food and feed balance
- B. Target projections by Ministry of Agriculture for 1975 and 1980 -- domestic and foreign. Use work reported on page 87 of the CIAP report as a model and base. Use Battelle report.
- C. Improved welfare of rural people
  - Health

- Education
  - Income, both level and distribution
- D. Proportion of population which government desires to stay in rural areas
- E. Definition of the role of public and private sectors

### III. Land Use Potential

Use Inter-American Geological Survey

### IV. Possibilities for Improving the Performance of the Agricultural Sector to Meet Goals and Targets Set in II above.

#### A. Ways to modify production

- Crop and livestock shifts (changing the mix)
- Increased land in crops or more livestock
- Improved production practices
- Increased inputs of seed, fertilizer, etc.
- Improved seeds, fertilizer, etc.

#### B. Policies to improve performance of agricultural sector -- policy changes needed and probable public and private investment needs

##### - Land use and tenure

- a. Titling land
- b. Redistribution of land
- c. Opening up new lands to settlement - i.e. Darien
- d. Encouragement and provision of assistance in organization of farmers cooperatives to deal with and provide self help in handling production, buying and marketing problems
- e. Public programs for development of lands through drainage or reclamation which ordinarily would be developed by private efforts

f. Use of taxes to influence land tenure pattern

- Agricultural research
- Agricultural extension
- Rural educational and health facilities to improve productivity and slow migration to urban areas
- Credit: public and private
- Transportation -- farm-to-market roads
- Trade
- Educational facilities for training agricultural technicians
- Government market news and crop production information reporting
- Improvement of marketing facilities and market system operation
- Agricultural price support
- Water
- Forestry

V. Development of "across-the-board" programs to carry out these policies in order to reach goals and targets for specific commodities.

MUST BE LOCAL PRODUCT

In conclusion, a word of caution is in order. Although statistical data is important and essential to an understanding of the nature and the potential possibilities for the agricultural sector of a nation, the manipulation of these data should not become an end in itself. In the final analysis, the major value of a sectoral analysis is the thought process that one goes through in carrying out this analysis. The process of thinking through what agricultural resources Panama possesses, how much better the agricultural sector could perform than it is performing now and what needs to be done to have it achieve this improved level of performance -- this is the ultimate value of a sectoral analysis.

Thus, while USAID can assist the Government of Panama to see what a treasure chest it really has in its agricultural potential and help discover the key to unlock this treasure chest, only the Panamanians themselves can insert this key and turn it.

So, in the final analysis, the job boils down to how to assist the Panamanians in the task of inserting this key into the treasure chest and turning it. In the past, sectoral analysis has gone wrong because it has been defined too often in terms of economic analysis, production capacity projections, forecasts of needs and demands, and other "bloodless" criteria. As a result, there has been a tendency for the art and knowledge of sectoral analysis to proceed with little regard for the question of how and where the process fits into the art of government policy planning and program operation. Both the experts in sectoral planning and the government policy makers have been the losers from this unfortunate trend.

This requires a tie-in between the Panamanian sectoral analysis and the Panamanian policy planning process, between the proposals suggested in the "across-the-board" programs and the planning operations of the Panamanian Government in reality. Unless this tie-in process is spelled out step-by-step, carefully, thoughtfully, and realistically, all the goals, the numbers, the projections, and the alternative programs will add up to nothing more than a sterile process -- a beautiful report that ends up gathering dust in somebody's files.



